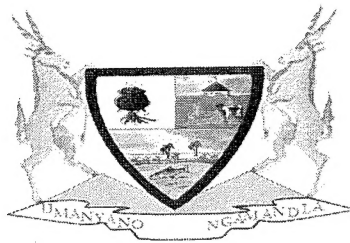


**DRAFT ANNUAL BUDGET OF**

# **MBIZANA LOCAL MUNICIPALITY**



**2014/15 TO 2016/17**

**MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

**Copies of this document can be viewed:**

- **In the mayor's office, and office of the Municipal Manager**
- **Municipal library**
- **At [www.mbizana.gov.za](http://www.mbizana.gov.za)**

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

The Mbizana Local Municipality is in the process of compiling the 2014/15 Annual Budget and the Medium Term and Revenue Framework. A process plan was developed and approved by the council that states the dates and milestones that need to be achieved. We are at a point where the municipality must table its draft budget as required by the Municipal Finance Management Act No. 56 of 2003, that states that the mayor must table the draft budget at 90 days before the start of a financial year.

A number of considerations were given in compiling this draft, after a number of processes and engagements between the management, Executive Committee and the Council at larger. These include amongst others:-

- A development of a turnaround strategy for the municipality, which would see the state of the municipality turned around for the better.
- A strategic planning session that set out a way forward for the improvement of service delivery to the people.

It is common knowledge that service delivery is the key to the existence of this municipality and we have in the recent past experienced a number of service delivery protests, which speaks directly to the fact that service delivery to the people need to be accelerated for the improvement of the livelihoods of all communities in our municipality. Our budget must therefore address these service delivery imperatives.

Electrification of villages has become one of the highest priorities of our communities and as such should be addressed by this budget. A detail will be given in this report that an amount of R69 million has been set aside in the 2014/15 financial year for electrification. R45 million of this is to be received as a frontloading agreement from the DBSA. This will result in more than 4900 household connections in various wards in the municipality.

As well the council will receive grant funding for the Municipal Infrastructure Grant to an amount of more than R44 millions. This will see construction of roads and other infrastructure and thereby improving the lives of our people.

The maintenance of road infrastructure is important to ensuring that there is access to all wards in the municipality. R15 million has been set aside for the maintenance of roads for the 2014/15 financial period.

It was resolved by Council in the previous financial years that there should be a stand alone department called Development Planning. This would deal with local development, planning and land use management issues. This department has now been established and as such this budget reflects that.

These imperatives cannot be realised without the operational issues being dealt with. This budget looks into the provision personnel resources that will ensure that service delivery to the people is speeded up. This calls for the review of the current organisational structure which should be able to carry out the objectives that the municipality wants to achieve. The process is on-going.

This is coupled with the provision of all other requirements that will ensure that there is smooth running of the municipality. This would include the provision of stationery, telephone, furniture and IT equipment and software. These ensure that the recruited personnel are able to function optimally.

## 1.2 Draft Council Resolutions

The Council of Mbizana Local Municipality must sit to consider the annual budget tabled by the Mayor at least 90 days before the start of the financial year 2014/15 and the Medium Term Revenue and Expenditure Framework. The council must then consider the following resolutions which will become final when the budget is adopted.

1. The Council of Mbizana Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 ;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 23;
    - 1.2.2. Budgeted Cash Flows as contained in Table 24;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
    - 1.2.4. Asset management as contained in Table 26; and
    - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Mbizana Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:

- 2.1. the tariffs for property rates – as set out in Annexure A,
  - 2.2. the tariffs for electricity – as set out in Annexure B
  - 2.3. the tariffs for solid waste services – as set out in Annexure C
3. The Council of Mbizana Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexures G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Mbizana Local Municipality approves:
- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed.
  - 4.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2014/15 financial year limited to an amount of per financial year of the MTREF in terms of Section 46 of the Municipal Finance Management Act.
  - 4.3. That the Accounting Officer be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality embarked on a number of initiatives that would ensure that the situation in which the municipality finds itself is turned around. The primary objective of these initiatives was to look at expediting on the projects that have the ability to change the lives of the communities, but as well to ensure that there is sound financial management and accountability within the municipal administration.

National Treasury's MFMA Circular No. 70 and prior budget circulars were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities;
- The increased cost of bulk electricity (due to anticipated tariff increases by Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff

increases are not sustainable - as there will be point where services will no-longer be affordable. This is also coupled with the losses that we continue to experience in the distribution of electricity and the link line that is not capable to carry the load of the town area;

- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies; and
- Availability of affordable capital/borrowing, this is despite the fact that we have approached the Development Bank of Southern Africa for a frontloading agreement.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2014/15 MTREF**

R thousand	Current Year	2014/15 MTREF		
	Adjusted Budget 2013/14	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	233 065	206 897	246 529	250 577
Total Operating Expenditure	204 200	213 300	223 172	234 758
Surplus/(Deficit) for the year	28 864	(6 403)	23 357	15 819
Total Capital Expenditure	93 261	128 136	97 713	94 828

*The Consolidated Overview shows a significant increase in the capital expenditure budget. This is mainly due to the frontloading arrangement that the municipality is engaged with, with the DBSA. This will see the municipality receiving R45million frontloaded for future Integrated National Electrification Programme Grant which will see the municipality able to accelerate the provision of electricity to households in the entire municipality.*

## 1.4 Operating Revenue Framework

For Mbizana Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipal area and continued economic development;
- Efficient revenue management;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):



**Table 2 Summary of revenue classified by main revenue source**

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue By Source										
Property rates	2	6 965	6 276	7 199	12 674	11 441	11 441	12 128	12 855	13 627
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	8 340	12 786	15 192	30 371	31 043	31 043	33 328	35 781	38 414
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	765	879	985	889	888	888	941	998	1 057
Service charges - other		7	9	8	11	11	11	11	12	13
Rental of facilities and equipment		1 037	1 804	1 046	688	688	688	729	773	819
Interest earned - external investments		2 341	3 389	4 827	4 090	4 090	4 090	4 336	4 596	4 872
Interest earned - outstanding debtors		214	64	364	92	92	92	97	103	109
Dividends received		-	-	-	-	-	-	-	-	-
Fines		182	277	295	389	368	368	527	559	593
Licences and permits		1 008	993	1 145	1 476	1 476	1 476	1 565	1 658	1 758
Agency services		182	647	587	629	629	629	667	707	749
Transfers recognised - operational		79 431	102 647	109 147	129 778	130 813	130 813	151 397	187 245	187 250
Other revenue	2	1 418	1 249	584	14 339	51 527	51 527	1 172	1 242	1 317
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		101 890	131 022	141 378	195 425	233 065	233 065	206 897	246 529	250 577

Table 3 Percentage growth in revenue by main revenue source

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	Ref	2013/14 Actuals		2014/15 Medium Term Revenue & Expenditure Framework					
R thousand	1	Adjusted Budget	%	Budget Year 2014/15		Budget Year +1 2015/16		Budget Year +2 2016/17	%
Revenue By Source									
Property rates	2	11 441	5%	12 128	6%	12 855	5%	13 627	5%
Property rates - penalties & collection charges		-		-		-		-	0%
Service charges - electricity revenue	2	31 043	13%	33 328	16%	35 781	15%	38 414	15%
Service charges - w ater revenue	2	-		-		-		-	0%
Service charges - sanitation revenue	2	-		-		-		-	0%
Service charges - refuse revenue	2	888	0%	941	0%	998	0%	1 057	0%
Service charges - other		11	0%	11	0%	12	0%	13	0%
Rental of facilities and equipment		688	0%	729	0%	773	0%	819	0%
Interest earned - external investments		4 090	2%	4 336	2%	4 596	2%	4 872	2%
Interest earned - outstanding debtors		92	0%	97	0%	103	0%	109	0%
Dividends received		-		-		-		-	0%
Fines		368	0%	527	0%	559	0%	593	0%
Licences and permits		1 476	1%	1 565	1%	1 658	1%	1 758	1%
Agency services		629	0%	667	0%	707	0%	749	0%
Transfers recognised - operational		130 813	56%	151 397	73%	187 245	76%	187 250	75%
Other revenue	2	51 527	22%	1 172	1%	1 242	1%	1 317	1%
Gains on disposal of PPE		-		-		-		-	0%
Total Revenue (excluding capital transfers and contributions)		233 065	100%	206 897	100%	246 529	100%	250 577	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Although the municipality is still heavily reliant on grant funding, the rates and service charges remain an important source of revenue for the municipality.

Property Rates depend on the availability of the valuation roll to be levied. This is an essential step in the calculation of tariffs and as such the hurdles that have been experienced recently are hampering on the ability of the municipality to generate revenue. R12.1 million has been budgeted for 2014/15 financial year and this is up 6% from the 2013/14 financial period. This is due to the additional properties that have been added to the valuation roll.

Electricity distribution also contributes significantly to the revenue basket, provided that it is able to generate profits. R33 million has been budgeted for electricity distribution in the 2014/15 financial year. The municipality has plans in place to ensure that this budgeted amount is realised and these include a meter audit exercise, data cleansing, effective credit control implementation and improved management of distribution losses.

**Table 4 Operating Transfers and Grant Receipts**

EC443 Mbizana - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		-	2 240	33 300	149 467	151 081	-	173 185	221 129	214 406
Local Government Equitable Share					126 027	126 027		145 251	181 912	181 688
Finance Management			1 450	1 500	1 550	2 456		1 600	1 650	1 700
Municipal Systems Improvement			790	800	890	1 348		934	967	1 018
EPWP Incentive			-	1 000	1 000	1 250		1 000		
Integrated National Electrification Programme			-	30 000	20 000	20 000		24 400	36 600	30 000
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		-	-	-	-	461	-	362	355	381
Various					-	461		362	355	381
<b>District Municipality:</b>		-	-	-	-	700	-	-	-	-
Integrated Development Planning						200				
Spatial Development Framework						500				
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	-	2 240	33 300	149 467	152 241	-	173 547	221 484	214 787

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. We are required to justify in our budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase in Electricity bulk tariffs is far beyond the mentioned inflation target. Given that this tariff increase is determined by external agencies, the impact it has on the municipality's electricity tariffs is largely outside the control of the Municipality. Discounting the impact of this price increase in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as

the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The Property Rates policy is one of the most important documents that we utilise in the determination of property rates. It should be kept in mind though that the Municipal Property Rates Act remains the reference point for this policy.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R40 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- Details of further rebates and reductions are provided in the municipality's Property Rates Policy and the Indigent Policy.

**Table 5 Comparison of proposed rates to be levied for the 2014/15 financial year**

Category	Current Tariff (1 July 2013)	Proposed tariff (from 1 July 2014)
	<b>c</b>	<b>C</b>
Residential properties	1.8	1.908
State owned properties	2	2.12
Business & Commercial	2	2.12

#### 1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA announced the revised bulk electricity pricing structure. A 8.06 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2014.

It should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which might have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA advised that a stepped tariff structure be implemented from 1 July 2011. The effect thereof is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipality's electricity network has therefore become a strategic priority.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2014/15 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

#### **1.4.3 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2014. Any increase higher than 9 per cent would be counter-productive and will result in affordability challenges for individual consumers, especially residents raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2014:

**Table 6 Comparison between current waste removal fees and increases**

	CURRENT TARIFFS 2013/14		PROPOSED TARIFFS 2014/15	
		WASTE REMOVAL		WASTE REMOVAL
<b>Basic Charge</b>				
Households		97.61		103.47
Small Businesses		206.06		218.42
Large Businesses and Government		445.48		472.21
Vacant Sites		46.36		49.14

**1.4.4 Other Municipal Tariffs**

The municipality has other tariffs that are proposed to increase as follows:

**Table 8 Comparison between current tariffs for other services and increases**

	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
<b>Connection Fees</b>		
20 AMPS (Single Phase)	530.00	561.8
60 AMPS (Single Phase)	2400.00	2544.00
100 AMPS (Prepaid/Conventional – 3Phase)	2800.00	2968.00
kVa	1500.00	1590.00
<b>Reconnection Fees</b>	320.00	339.20
<b>Meter Replacements</b>		
20 AMPS (Single Phase)	2400.00	2544.00
60 AMPS (Single Phase)	2401.00	2545.06
100 AMPS (Prepaid/Conventional – 3Phase)	2402.00	2546.12
<b>Grass Cutting</b>		
Square Meter	10.00	10.54per sq. Meter
Travelling per KM more that 10KM from town	5.50	5.80 per km beyond the 10 <sup>th</sup> km
<b>Hall Hire</b>		
Town Meetings & Churches (Hourly Rate)	98.31	104.21
Entertainment & Workshops	245.79	260.54
Security Fee	860.27	911.89
Villages Hall Hire	220.00	233.20
Villages Security Deposit	440.00	466.40
	<b>CURRENT TARIFFS 2013/14</b>	<b>PROPOSED TARIFFS 2014/15</b>
<b>Pound Fees</b>		

Admission of Guilt under Municipal By-Law (For all animals)	300	318
Storage- Cattle, Horses, Donkeys and other animals of similar size	50 per night	53 per night
Goats, Sheep, and other animals of the same size	30 per night	31.8 per night
If Captured by SAPS (eg, recovered stolen animals)	20 per night	21.20 per night
<b>Library Fees</b>		
Membership		
Adults – Per Annum	50	53
Children – Per Annum	30	31.8
Children 12 years and younger	-	-
Photocopy per page	0.50	0.53
Penalties		
Overdue returns	0.60	0.64
Book Tempered with	30	31.8
Lost Book	Market Value of the book	Market Value of the book
Dumping Site		
Bakkie – per load	50.00	53.00
Truck – per load	-	63.6
<b>Vending &amp; Hawking</b>		
Registration		135.00
Stalls		250.00
Street Shelters		200.00
Street Trader		100.00
Registration outside Town (With Stall)		80.00
Registration inside town (With no stall)		50.00
Bakkies Registration		300.00
Annual Licence		500.00

A number of new tariffs will be introduced by the Development Planning Department. These are tabulated below:-

Advertising Rental	Current Tariffs	Proposed Tariffs
<b>Local</b>		
Bill board 1m(h) x 1.5m(w)		R316 p/m
Bill Board 1.5m(h) x 2m(w)		R369 p/m
Bill Board 2m(h) x 3m(w)		R422 p/m
Bill Board 3m(h) x 4m(w)		R474 p/m
Temporal posters size not exceeding 1m(h) x 1m(w), number of posters not to exceed ten (10)		R300 p/m
<b>National</b>		
Bill board 1.5m(h) x 3m(w)		R1 054.00
Bill Board 3m(h) x 6m(w)		R1 581.00
Bill Board 6m(h) x 4m(w)		R2 108.00
Bill Board 9m(h) x 6m(w)		R5 270.00



## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

**Table 9 Summary of operating expenditure by standard classification item**

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Expenditure By Type</b>											
Employee related costs	2	28 817	33 114	44 883	67 736	54 321	54 321	-	58 045	61 759	65 712
Remuneration of councillors		11 687	14 075	16 199	15 262	15 998	15 998		17 086	18 180	19 343
Debt impairment	3	91	1 801	1 804	4 036	4 036	4 036		4 036	4 036	4 036
Depreciation & asset impairment	2	32 815	17 721	30 068	-	30 068	30 068	-	30 068	30 068	30 068
Finance charges		-	-	148	-	-	-	-	-	-	-
Bulk purchases	2	9 491	13 500	16 251	24 000	20 500	20 500	-	22 152	23 938	25 867
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		837	695	614	1 400	1 400	1 400	-	1 476	1 555	1 639
Other expenditure	4, 5	35 040	44 165	74 691	143 288	171 139	171 139	-	162 639	180 382	181 903
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>118 778</b>	<b>125 071</b>	<b>184 658</b>	<b>255 722</b>	<b>297 462</b>	<b>297 462</b>	<b>-</b>	<b>295 502</b>	<b>319 917</b>	<b>328 568</b>

The budgeted allocation for employee related costs for the 2014/15 financial year totals R58 Million, which equals 19.7 per cent of the total operating expenditure. Based on the guidelines on circular 70, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2014/15 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. As part of the planning, all departments have

been requested to submit their personnel requirements for the years budgeted for. This includes existing positions that are currently filled, vacant positions that will be filled and as such should be budgeted for. A process is also underway to review the current organisational structure to determine whether it is effective in the provision of services to the communities.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget. Part of the plans also includes the Executive Committee members who could become fulltime, but this is still to be approved by council.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following table gives a breakdown of the main expenditure categories for the 2014/15 financial year.

#### **1.5.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 10 Operational repairs and maintenance

EC443 Mbizana - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services		3 067	3 958	5 581	13 479	16 802	16 802		17 709	18 666	19 673
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	3 067	3 958	5 581	13 479	16 802	16 802	-	17 709	18 666	19 673

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance.

The repairs and maintenance also speak to the maintenance of the landfill site currently in use the landfill site to be constructed during the financial period.

An amount of R15million has been set aside in the 2014/15 financial period for the maintenance of roads. This will ensure that there is improved access to all the wards in the municipality.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 11 Repairs and maintenance per asset class

EC443 Mbizana - Table A9 Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		32 815	17 721	30 068	-	30 068	30 068	30 068	30 068	30 068
Repairs and Maintenance by Asset Class	3	-	-	-	13 479	16 802	16 802	17 709	18 666	19 673
Infrastructure - Road transport		-	-	-	11 000	14 514	14 514	15 298	16 124	16 995
Infrastructure - Electricity		-	-	-	605	354	354	373	394	415
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	150	150	150	158	167	176
Infrastructure		-	-	-	11 755	15 019	15 019	15 830	16 684	17 585
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	-	-	-	1 723	1 783	1 783	1 880	1 981	2 088
TOTAL EXPENDITURE OTHER ITEMS		32 815	17 721	30 068	13 479	46 869	46 869	47 777	48 733	49 741

### **1.5.2 Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 12 2014/15 Medium-term capital budget per vote**

EC443 Mbizana - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description R thousand	Ref	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Single-year expenditure to be appropriate</b>	<b>2</b>							
Vote 1 - EXECUTIVE & COUNCIL		—	—	—	—	—	—	—
Vote 2 - BUDGET & TREASURY		—	—	—	—	—	—	—
Vote 3 - CORPORATE SERVICES		3 331	2 631	2 631	—	2 773	2 923	3 081
Vote 4 - COMMUNITY & SOCIAL SERVICES		6 353	3 500	3 500	—	3 689	3 888	4 098
Vote 5 - ENGINEERING SERVICES		70 197	86 130	86 130	—	120 620	89 791	86 208
Vote 6 - DEVELOPMENT PLANNING		—	1 000	1 000	—	1 054	1 111	1 441
<b>Capital single-year expenditure sub-total</b>		<b>79 881</b>	<b>93 261</b>	<b>93 261</b>	<b>—</b>	<b>128 136</b>	<b>97 713</b>	<b>94 828</b>
<b>Total Capital Expenditure - Vote</b>		<b>79 881</b>	<b>93 261</b>	<b>93 261</b>	<b>—</b>	<b>128 136</b>	<b>97 713</b>	<b>94 828</b>

For the 2014/15 Annual budget, an amount of R128million has been appropriated. This covers the construction of roads and other infrastructure. Electrification of villages in the municipality has been as thorn in the council and as such eradication of electrification backlogs takes a significant part of the budget.

The Municipal Infrastructure Projects for the 2014/15 financial period is informed by the allocation the municipality will receive. It account for R44.9 million of the capital budget and the projects that will be implemented are listed:-

2014/15 MIG PROJECTS				
ITEM	PROJECT NAME	BUDGET	KILOMETRES	WARD NO
1	Project Management Unit	R 2 249 600.00	N/A	N/A
2	Madada to Holycross Hospital Access Road	R 3 500 000.00	5.00	11
3	Butshengweni Access Road	R 1 666 445.61	1.30	16
4	Upper Gwala to Cingweni Access Road	R 2 778 000.00	3.50	5

5	Nkulisa Access Road	R 2 445 078.00	4.00	27
6	Ngojane to T-Road (120/121/438) Access Road	R 3 800 000.00	7.10	14
7	Nomlacu Extension Access Road	R 3 990 000.00	8.00	26
8	Lubunde Access Road	R 3 063 978.00	5.00	18
9	Meje Access Road	R 1 913 638.00	2.50	14
10	Cwaka Access Road	R 3 210 400.00	4.00	29
11	Ntshikitshane to Bukuveni J.S.S	R 1 943 548.63	3.50	8
12	Makhwantini to Matshezi Access Road	R 3 000 000.00	7.00	25
13	Mzamba Community Hall	R 2 940 000.00	300m <sup>2</sup>	7
14	Mhlabi Community Hall	R 2 940 000.00	300m <sup>2</sup>	12
15	Makhosonke Community Hall	R 2 940 000.00	300m <sup>2</sup>	15
16	Ward 25 Sportsfield	R 2 611 311.76	N/A	25
<b>TOTAL KILOMETRES</b>		<b>R 44 992 000.00</b>	<b>53.92</b>	

The electrification of projects accounts for R69,4 million of the availed budget and can be shown as follows:-

**14/15 ELECTRIFICATION PROJECTS - TO BE DONE BY THE MUNICIPALITY**

NUMBER	NAME OF PROJECT	WARD NUMBER	NUMBER OF CONNECTIONS	Cost per Connection	Eskom (5 % and Meters at R300)	PROJECT COST
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1	Mgodini, Mbangweni, Mantusini and Mcitshweni	10	1143	R 12 000.00	R 1 028 700.00	R 13 716 000.00
2	Mxhotsheni	29	289	R 12 000.00	R 260 100.00	R 3 468 000.00
3	Monti / Ntlozelo	19	965	R 12 000.00	R 868 500.00	R 11 580 000.00
4	Gumzana	22	430	R 12 000.00	R 387 000.00	R 5 160 000.00
5	Mqonjwana	18	548	R 12 000.00	R 493 200.00	R 6 576 000.00
6	Lugwijini	22	85	R 12 000.00	R 76 500.00	R 1 020 000.00
7	Mpunzi drift and Nobamba	18 and 21	89	R 12 000.00	R 80 100.00	R 1 068 000.00
8	Madiba	2	538	R 12 000.00	R 484 200.00	R 6 456 000.00
9	Gudlintaba	2	400	R 12 000.00	R 360 000.00	R 4 800 000.00
10	Ngele	2	503	R 12 000.00	R 452 700.00	R 6 036 000.00
11	Project Management	N/A	N/A	N/A	N/A	R 1 500 000.00
12	Capacity Upgrade	N/A	N/A	N/A	N/A	R 3 529 000.00
TOTAL AMOUNT			4990	R 12 000	R 4 491 000.00	R 64 909 000.00
TOTAL AMOUNT FROM THE FRONT LOADING						R 45 000 000.00
TOTAL AMOUNT FROM THE INEP ALLOCATION						R 24 400 000.00
TOTAL AVAILABLE BUDGET						R 69 400 000.00

## 1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 13 MBRR Table A1 - Budget Summary

## EC443 Mbizana - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	6 965	6 276	7 199	12 674	11 441	11 441	12 128	12 855	13 627
Service charges	9 112	13 675	16 185	31 271	31 941	31 941	34 280	36 790	39 484
Investment revenue	2 341	3 389	4 827	4 090	4 090	4 090	4 336	4 596	4 872
Transfers recognised - operational	79 431	102 647	109 147	129 778	130 813	130 813	151 397	187 245	187 250
Other own revenue	4 041	5 035	4 020	17 613	54 779	54 779	4 757	5 043	5 345
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>101 890</b>	<b>131 022</b>	<b>141 378</b>	<b>195 425</b>	<b>233 065</b>	<b>233 065</b>	<b>206 897</b>	<b>246 529</b>	<b>250 577</b>
Employee costs	28 817	33 114	44 883	67 736	54 321	54 321	58 045	61 759	65 712
Remuneration of councillors	11 687	14 075	16 199	15 262	15 998	15 998	17 086	18 180	19 343
Depreciation & asset impairment	32 815	17 721	30 068	-	30 068	30 068	30 068	30 068	30 068
Finance charges	-	-	148	-	-	-	-	-	-
Materials and bulk purchases	9 491	13 500	16 251	24 000	20 500	20 500	22 152	23 938	25 867
Transfers and grants	837	695	614	1 400	1 400	1 400	1 476	1 555	1 639
Other expenditure	35 131	45 965	76 495	147 324	175 175	175 175	166 675	184 418	185 939
<b>Total Expenditure</b>	<b>118 778</b>	<b>125 071</b>	<b>184 658</b>	<b>255 722</b>	<b>297 462</b>	<b>297 462</b>	<b>295 502</b>	<b>319 917</b>	<b>328 568</b>
<b>Surplus/(Deficit)</b>	<b>(16 888)</b>	<b>5 950</b>	<b>(43 280)</b>	<b>(60 297)</b>	<b>(64 397)</b>	<b>(64 397)</b>	<b>(88 605)</b>	<b>(73 389)</b>	<b>(77 991)</b>
Transfers recognised - capital	32 197	41 400	59 744	60 297	64 397	64 397	67 142	80 855	76 790
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>15 309</b>	<b>47 350</b>	<b>16 464</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(21 463)</b>	<b>7 466</b>	<b>(1 201)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>15 309</b>	<b>47 350</b>	<b>16 464</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(21 463)</b>	<b>7 466</b>	<b>(1 201)</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	-	-	-	79 881	93 261	93 261	128 136	97 713	94 828
Transfers recognised - capital	-	-	-	60 297	62 882	62 882	67 142	80 855	76 790
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	45 000	-	-
Internally generated funds	-	-	-	19 584	30 379	30 379	15 994	16 858	18 038
<b>Total sources of capital funds</b>	-	-	-	79 881	93 261	93 261	128 136	97 713	94 828
<b>Financial position</b>									
Total current assets	65 814	90 513	142 526	142 526	134 724	134 724	122 335	121 062	120 418
Total non current assets	240 744	267 404	249 944	296 751	310 431	310 431	408 497	431 142	495 903
Total current liabilities	19 607	15 330	38 587	10 379	3 153	3 153	6 410	6 410	6 410
Total non current liabilities	-	-	-	12 552	12 552	12 552	57 552	12 552	12 552
Community wealth/Equity	286 951	342 587	353 883	416 345	429 450	429 450	466 869	533 242	597 359
<b>Cash flows</b>									
Net cash from (used) operating	38 431	74 341	71 638	83 917	85 460	85 460	-	-	-
Net cash from (used) investing	(22 067)	(44 382)	(20 369)	(79 881)	(93 261)	(93 261)	-	-	-
Net cash from (used) financing	-	11	77	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>45 299</b>	<b>75 269</b>	<b>126 615</b>	<b>130 651</b>	<b>118 814</b>	<b>118 814</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash backing/surplus reconciliation</b>									
Cash and investments available	45 299	77 032	126 615	126 615	118 814	118 814	108 012	108 012	108 012
Application of cash and investments	(21 283)	(7 024)	20 141	(4 071)	(5 879)	(5 879)	328	328	328
<b>Balance - surplus (shortfall)</b>	<b>66 582</b>	<b>84 057</b>	<b>106 474</b>	<b>130 686</b>	<b>124 692</b>	<b>124 692</b>	<b>107 684</b>	<b>107 684</b>	<b>107 684</b>
<b>Asset management</b>									
Asset register summary (WDV)	8 001	8 001	5 544	291 206	304 887	304 887	5 544	5 544	5 544
Depreciation & asset impairment	32 815	17 721	30 068	-	30 068	30 068	30 068	30 068	30 068
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	13 479	16 802	16 802	17 709	18 666	19 673
<b>Free services</b>									
Cost of Free Basic Services provided	-	-	-	280	280	-	280	280	280
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	3	3	-	6	6	6
Refuse:	-	-	-	48	48	-	48	48	48



**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts for possible approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Efforts have been made in compiling the budget to ensure that the budget is cash backed. This is reflected by the positive cash flows that the municipality has. This requires the municipality to maintain its prudence to ensure that positive cashflows are maintained over the long term whilst ensuring that there is spending on projects that make a difference to people's livelihoods.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 14 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

EC443 Mbizana - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		90 561	114 171	121 336	96 806	132 786	132 786	165 363	203 162	204 157
Executive and council		445	150	200	48 720	53 909	53 909	-	-	-
Budget and treasury office		90 019	113 743	120 859	20 208	50 606	50 606	164 996	202 773	203 745
Corporate services		97	277	276	27 879	28 271	28 271	367	389	412
<i>Community and public safety</i>		236	315	257	14 602	12 957	12 957	658	682	721
Community and social services		91	48	98	14 302	12 657	12 657	340	345	364
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		145	266	159	300	300	300	318	337	357
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		24 027	33 260	34 354	79 198	91 122	91 122	48 174	50 575	52 821
Planning and development		605	367	885	7 072	7 095	7 095	585	606	649
Road transport		23 422	32 893	33 469	72 126	84 028	84 028	47 589	49 969	52 171
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		19 262	24 676	45 176	65 116	60 596	60 596	59 845	72 965	69 669
Electricity		18 497	23 797	43 441	51 190	51 190	51 190	57 903	71 967	68 612
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		765	879	1 735	13 925	9 406	9 406	1 941	998	1 057
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	134 087	172 422	201 122	255 722	297 462	297 462	274 039	327 384	327 368
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		54 952	73 663	99 878	97 406	132 197	132 197	133 907	139 741	145 918
Executive and council		24 019	29 647	41 576	48 720	53 909	53 909	57 003	60 420	64 043
Budget and treasury office		11 100	13 797	45 575	20 208	50 017	50 017	48 541	49 340	50 183
Corporate services		19 834	30 219	12 726	28 479	28 271	28 271	28 363	29 981	31 691
<i>Community and public safety</i>		10 407	8 286	9 005	15 383	13 688	13 688	14 502	15 361	16 286
Community and social services		9 421	7 442	7 900	12 725	11 555	11 555	12 253	12 991	13 788
Sport and recreation		-	-	-	100	100	100	105	111	117
Public safety		511	844	1 105	2 558	2 033	2 033	2 143	2 259	2 381
Housing		475	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		37 879	11 373	16 344	77 722	81 779	81 779	86 578	91 140	95 937
Planning and development		2 738	2 708	4 387	8 706	8 329	8 329	8 802	9 291	10 099
Road transport		34 495	8 117	11 710	68 416	73 050	73 050	77 355	81 404	85 370
Environmental protection		646	548	247	600	400	400	422	444	468
<i>Trading services</i>		15 540	31 750	59 431	65 210	69 797	69 797	60 515	73 676	70 428
Electricity		11 165	24 929	53 216	51 285	60 391	60 391	51 023	64 670	60 877
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4 375	6 821	6 215	13 925	9 406	9 406	9 493	9 006	9 551
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	118 778	125 071	184 658	255 722	297 462	297 462	295 502	319 917	328 568
<b>Surplus/(Deficit) for the year</b>		15 309	47 350	16 464	0	-	-	(21 463)	7 466	(1 201)

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

**Table 15 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

EC443 Mbizana - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE & COUNCIL		445	150	200	48 720	53 909	53 909	-	-	-
Vote 2 - BUDGET & TREASURY		90 019	113 743	120 859	20 208	50 017	50 017	164 996	202 773	203 745
Vote 3 - CORPORATE SERVICES		97	277	276	27 879	28 271	28 271	367	389	412
Vote 4 - COMMUNITY & SOCIAL SERVICES		2 626	3 072	4 478	37 009	24 116	24 116	4 482	3 675	3 894
Vote 5 - ENGINEERING SERVICES		40 900	55 179	75 309	121 906	134 397	134 397	103 998	120 352	119 104
Vote 6 - DEVELOPMENT PLANNING		-	-	-	-	6 751	6 751	197	195	213
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	134 087	172 422	201 122	255 722	297 462	297 462	274 039	327 384	327 368
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE & COUNCIL		24 019	29 647	41 576	48 720	53 909	53 909	57 003	60 420	64 043
Vote 2 - BUDGET & TREASURY		11 100	13 797	45 575	20 208	50 017	50 017	48 541	49 340	50 183
Vote 3 - CORPORATE SERVICES		19 834	30 219	12 726	27 879	28 271	28 271	28 363	29 981	31 691
Vote 4 - COMMUNITY & SOCIAL SERVICES		19 162	21 652	20 343	37 009	24 139	24 139	25 095	25 528	27 060
Vote 5 - ENGINEERING SERVICES		44 664	29 756	64 438	121 906	134 397	134 397	129 384	147 135	147 365
Vote 6 - DEVELOPMENT PLANNING		-	-	-	-	6 729	6 729	7 116	7 514	8 225
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	118 778	125 071	184 658	255 722	297 462	297 462	295 502	319 917	328 568
<b>Surplus/(Deficit) for the year</b>	2	15 309	47 350	16 464	0	-	-	(21 463)	7 466	(1 201)

1. **Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**
2. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
3. The total for budget and treasury includes employee costs at R5.6 million in the 2014/15 financial year, R2.2 for audit fee, R1.7 million for compilation of annual financial statements including quarterly financial statements that will be used as a skills transfer initiative to capacitate the budget and treasury personnel, R1.6 million for review and update of the municipal asset register as well as the procurement of an asset management system, R1.1 million for compilation of the general valuation roll. The remainder of the budget allocation is for other operational items including travelling, subsistence, advertising, printing and stationery, and other operational expenses.

Listed in the table above are the revenue and expenditure classifications for all the departments within the municipality. It is important to note that the Development Planning Department has been established and as such a budget for it has been set aside. The department has the following

#### Local Economic Development

The budget item focus on changing people's lives on all sectors as stipulated in Municipal LED Strategy and is looking at how to support our Small medium Macro Enterprise in different sectors Emerging contractors ,crafters, hawkers, manufacturing etc. We all aware that informal trading is one of growing sectors and we are helping the sector buy building market stalls ,providing selling tables and most important demarcating clearly their trading zone for free traffic flow and cleanliness of the town. A market place building infrastructure will be built as there is a need as the growth in trading is seen in places like boxer and that blocks parking for those who come to the centre. An improvement in Capital budget is done as this vote create employment while contributing in the economy as our IDP vision and mission guide us. Although all sectors are budgeted that is Tourism, Agriculture, Mining, Mari culture a great need to source more funding has been identified in helping this KPA to achieve its goal of changing business sectors ,attraction of more tourists ,managing our natural resources in an economically manner and reviving agriculture in our area.

#### Spatial Planning

SDF review is budgeted for as a forward planning tool and Land Use Management System will be developed.

Town and Regional Planning has been catered for the implementation of the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) that is addressing the imbalance of the past in spatial planning .Municipality will appoint Planning Tribunal that includes external professional people and a council committee for appeals will be established. Land use scheme

will be developed and adopted. There will be capacity building of the Tribunal and all parties involved. Building Control awareness will be conducted and a committee for plan approvals will be established.

Table 16 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)

EC443 Mbizana - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue By Source										
Property rates	2	6 965	6 276	7 199	12 674	11 441	11 441	12 128	12 855	13 627
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	8 340	12 786	15 192	30 371	31 043	31 043	33 328	35 781	38 414
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	765	879	985	889	888	888	941	998	1 057
Service charges - other		7	9	8	11	11	11	11	12	13
Rental of facilities and equipment		1 037	1 804	1 046	688	688	688	729	773	819
Interest earned - external investments		2 341	3 389	4 827	4 090	4 090	4 090	4 336	4 596	4 872
Interest earned - outstanding debtors		214	64	364	92	92	92	97	103	109
Dividends received		-	-	-	-	-	-	-	-	-
Fines		182	277	295	389	368	368	527	559	593
Licences and permits		1 008	993	1 145	1 476	1 476	1 476	1 565	1 658	1 758
Agency services		182	647	587	629	629	629	667	707	749
Transfers recognised - operational		79 431	102 647	109 147	129 778	130 813	130 813	151 397	187 245	187 250
Other revenue	2	1 418	1 249	584	14 339	51 527	51 527	1 172	1 242	1 317
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		101 890	131 022	141 378	195 425	233 065	233 065	206 897	246 529	250 577
Expenditure By Type										
Employee related costs	2	28 817	33 114	44 883	67 736	54 321	54 321	58 045	61 759	65 712
Remuneration of councillors		11 687	14 075	16 199	15 262	15 998	15 998	17 086	18 180	19 343
Debt impairment	3	91	1 801	1 804	4 036	4 036	4 036	4 036	4 036	4 036
Depreciation & asset impairment	2	32 815	17 721	30 068	-	30 068	30 068	30 068	30 068	30 068
Finance charges		-	-	148	-	-	-	-	-	-
Bulk purchases	2	9 491	13 500	16 251	24 000	20 500	20 500	22 152	23 938	25 867
Other materials	8	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-
Transfers and grants		837	695	614	1 400	1 400	1 400	1 476	1 555	1 639
Other expenditure	4, 5	35 040	44 165	74 691	143 288	171 139	171 139	162 639	180 382	181 903
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		118 778	125 071	184 658	255 722	297 462	297 462	295 502	319 917	328 568
Surplus/(Deficit)										
Transfers recognised - capital	6	32 197	41 400	59 744	60 297	64 397	64 397	67 142	80 855	76 790
Contributions recognised - capital		-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		15 309	47 350	16 464	0	(0)	(0)	(21 463)	7 466	(1 201)
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		15 309	47 350	16 464	0	(0)	(0)	(21 463)	7 466	(1 201)
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		15 309	47 350	16 464	0	(0)	(0)	(21 463)	7 466	(1 201)
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		15 309	47 350	16 464	0	(0)	(0)	(21 463)	7 466	(1 201)

**Table 17 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

EC443 Mbizana - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Single-year expenditure to be appropriate</b>	<b>2</b>										
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - BUDGET & TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	3 331	2 631	2 631	-	2 773	2 923	3 081
Vote 4 - COMMUNITY & SOCIAL SERVICES		-	-	-	6 353	3 500	3 500	-	3 689	3 888	4 098
Vote 5 - ENGINEERING SERVICES		-	-	-	70 197	86 130	86 130	-	120 620	89 791	86 208
Vote 6 - DEVELOPMENT PLANNING		-	-	-	-	1 000	1 000	-	1 054	1 111	1 441
<b>Capital single-year expenditure sub-total</b>		-	-	-	<b>79 881</b>	<b>93 261</b>	<b>93 261</b>	-	<b>128 136</b>	<b>97 713</b>	<b>94 828</b>
<b>Total Capital Expenditure - Vote</b>		-	-	-	<b>79 881</b>	<b>93 261</b>	<b>93 261</b>	-	<b>128 136</b>	<b>97 713</b>	<b>94 828</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		-	-	-	<b>3 931</b>	<b>2 631</b>	<b>2 631</b>	-	<b>2 773</b>	<b>2 923</b>	<b>3 081</b>
Executive and council						-					
Budget and treasury office						-					
Corporate services					3 931	2 631	2 631		2 773	2 923	3 081
<b>Community and public safety</b>		-	-	-	<b>1 953</b>	<b>1 900</b>	<b>1 900</b>	-	<b>2 003</b>	<b>2 111</b>	<b>2 225</b>
Community and social services					700	1 500	1 500		1 581	1 666	1 756
Sport and recreation					-	-					
Public safety					1 253	400	400		422	444	468
Housing						-					
Health						-					
<b>Economic and environmental services</b>		-	-	-	<b>47 497</b>	<b>50 626</b>	<b>50 626</b>	-	<b>51 431</b>	<b>54 013</b>	<b>56 713</b>
Planning and development					800	1 000	1 000		1 054	1 111	1 441
Road transport					46 697	49 626	49 626		50 377	52 902	55 272
Environmental protection					-	-					
<b>Trading services</b>		-	-	-	<b>26 500</b>	<b>38 105</b>	<b>38 105</b>	-	<b>71 930</b>	<b>38 666</b>	<b>32 810</b>
Electricity					22 500	36 305	36 305		70 032	36 667	30 703
Water						-					
Waste water management						-					
Waste management					4 000	1 800	1 800		1 897	2 000	2 108
<b>Other</b>						-					
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	-	-	-	<b>79 881</b>	<b>93 261</b>	<b>93 261</b>	-	<b>128 136</b>	<b>97 713</b>	<b>94 828</b>
<b>Funded by:</b>											
National Government					60 297	62 382	62 382		67 142	80 855	76 790
Provincial Government						500	500				
District Municipality						-					
Other transfers and grants						-					
<b>Transfers recognised - capital</b>	<b>4</b>	-	-	-	<b>60 297</b>	<b>62 882</b>	<b>62 882</b>	-	<b>67 142</b>	<b>80 855</b>	<b>76 790</b>
<b>Public contributions &amp; donations</b>	<b>5</b>					-					
<b>Borrowing</b>	<b>6</b>					-			45 000		
<b>Internally generated funds</b>					19 584	30 379	30 379		15 994	16 858	18 038
<b>Total Capital Funding</b>	<b>7</b>	-	-	-	<b>79 881</b>	<b>93 261</b>	<b>93 261</b>	-	<b>128 136</b>	<b>97 713</b>	<b>94 828</b>



**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

For the 2014/15 Annual budget, an amount of R128million has been appropriated. This covers the construction of roads and other infrastructure. Electrification of villages in the municipality has been as thorn in the council and as such eradication of electrification backlogs takes a significant part of the budget.

The Municipal Infrastructure Projects for the 2014/15 financial period is informed by the allocation the municipality will receive. It account for R44.9 million of the capital budget.

The electrification projects account for R69,4 million of the availed budget and include a front loading arrangement of R45 million and the municipality's allocation of R24.4 million from the division of revenue.

Other capital assets are funded from the municipality's own funding.

Table 18 MBRR Table A6 - Budgeted Financial Position

## EC443 Mbizana - Table A6 Budgeted Financial Position

C443 Mbizana - Table A6 Budgeted Financial Position								2014/15 Medium Term Revenue & Expenditure Framework		
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			Budget Year	Budget Year	Budget Year
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	2014/15	+1 2015/16	+2 2016/17
<b>ASSETS</b>										
<b>Current assets</b>										
Cash		1 557	3 748	10 130	10 130	10 130	10 130	1 751	1 751	1 751
Call investment deposits	1	44 276	73 284	116 485	116 485	108 683	108 683	106 261	106 261	106 261
Consumer debtors	1	9 723	8 861	9 599	9 599	9 599	9 599	9 599	9 599	9 599
Other debtors		8 411	2 771	4 470	4 470	4 470	4 470	2 882	1 609	965
Current portion of long-term receivables		1 735	1 757	1 495	1 495	1 495	1 495	1 495	1 495	1 495
Inventory	2	112	91	347	347	347	347	347	347	347
<b>Total current assets</b>		<b>65 814</b>	<b>90 513</b>	<b>142 526</b>	<b>142 526</b>	<b>134 724</b>	<b>134 724</b>	<b>122 335</b>	<b>121 062</b>	<b>120 418</b>
<b>Non current assets</b>										
Long-term receivables						-				
Investments						-				
Investment property		8 001	8 001	5 544	5 544	5 544	5 544	5 544	5 544	5 544
Investment in Associate						-				
Property, plant and equipment	3	232 743	259 403	244 400	291 206	304 887	304 887	402 953	425 598	490 358
Agricultural										
Biological										
Intangible										
Other non-current assets										
<b>Total non current assets</b>		<b>240 744</b>	<b>267 404</b>	<b>249 944</b>	<b>296 751</b>	<b>310 431</b>	<b>310 431</b>	<b>408 497</b>	<b>431 142</b>	<b>495 903</b>
<b>TOTAL ASSETS</b>		<b>306 558</b>	<b>357 917</b>	<b>392 470</b>	<b>439 276</b>	<b>445 155</b>	<b>445 155</b>	<b>530 831</b>	<b>552 204</b>	<b>616 321</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft	1	534								
Borrowing	4	-	-	-	-	-	-	-	-	-
Consumer deposits		315	326	403	403	403	403	403	403	403
Trade and other payables	4	15 792	10 499	32 505	9 976	2 750	2 750	328	328	328
Provisions		2 965	4 506	5 679				5 679	5 679	5 679
<b>Total current liabilities</b>		<b>19 607</b>	<b>15 330</b>	<b>38 587</b>	<b>10 379</b>	<b>3 153</b>	<b>3 153</b>	<b>6 410</b>	<b>6 410</b>	<b>6 410</b>
<b>Non current liabilities</b>										
Borrowing		-	-	-	12 552	12 552	12 552	57 552	12 552	12 552
Provisions		-	-	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>12 552</b>	<b>12 552</b>	<b>12 552</b>	<b>57 552</b>	<b>12 552</b>	<b>12 552</b>
<b>TOTAL LIABILITIES</b>		<b>19 607</b>	<b>15 330</b>	<b>38 587</b>	<b>22 931</b>	<b>15 705</b>	<b>15 705</b>	<b>63 962</b>	<b>18 962</b>	<b>18 962</b>
<b>NET ASSETS</b>	5	<b>286 951</b>	<b>342 587</b>	<b>353 883</b>	<b>416 345</b>	<b>429 450</b>	<b>429 450</b>	<b>466 869</b>	<b>533 242</b>	<b>597 359</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)		251 340	274 477	249 951	302 282	323 188	323 188	360 608	426 980	491 097
Reserves	4	35 611	68 110	103 933	114 063	106 261	106 261	106 261	106 261	106 261
Minorities' interests										
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>286 951</b>	<b>342 587</b>	<b>353 883</b>	<b>416 345</b>	<b>429 450</b>	<b>429 450</b>	<b>466 869</b>	<b>533 242</b>	<b>597 359</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

EC443 Mbizana - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	1	45 299	75 269	126 615	130 651	118 814	118 814	-	-	-
Other current investments > 90 days		-	1 763	-	(4 036)	-	-	108 012	108 012	108 012
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>45 299</b>	<b>77 032</b>	<b>126 615</b>	<b>126 615</b>	<b>118 814</b>	<b>118 814</b>	<b>108 012</b>	<b>108 012</b>	<b>108 012</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers		8 665	5 174	12 552	9 648	2 422	2 422	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2									
Other working capital requirements	3	(29 948)	(12 198)	7 589	(13 719)	(8 301)	(8 301)	328	328	328
Other provisions										
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
<b>Total Application of cash and investments:</b>		<b>(21 283)</b>	<b>(7 024)</b>	<b>20 141</b>	<b>(4 071)</b>	<b>(5 879)</b>	<b>(5 879)</b>	<b>328</b>	<b>328</b>	<b>328</b>
<b>Surplus(shortfall)</b>		<b>66 582</b>	<b>84 057</b>	<b>106 474</b>	<b>130 686</b>	<b>124 692</b>	<b>124 692</b>	<b>107 684</b>	<b>107 684</b>	<b>107 684</b>

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

## **Part 2 – Supporting Documentation**

### **2.1 Overview of budget related-policies**

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

#### **2.1.1 Review of credit control and debt collection policy**

The credit control and debt collection policy was last reviewed with the preparation of the budget for the 2013/14 budget. This requires to be reviewed annually with the preparation of the annual budget and the MTREF. The review of the policy should go with the changing circumstances that are happening within the municipality. This ensures that the percentage that gets collected as a result of the effective policy is realised.

#### **2.1.1 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

#### **2.1.2 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

#### **2.1.3 Supply Chain Management Policy**

The municipality committed in advancing the Secondary procurement goals as provided for under Section 217 of the Constitution and the PPPFA. To ensure the attainment of the secondary goals, the municipality shall ensure that each procurement demand made from each department shall develop a procurement strategy together with the specifications for the project. The envisaged procurement strategy must take into account the direct and indirect procurement system to be used.

The municipality shall further apply pre-qualification procurement system as a fair competitive procurement mechanism that supports emerging and small contractors/ service providers across all our services.

#### **2.1.4 Budget Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget policy was also last reviewed in the budget preparation process for the 2013/14 financial period.

#### **2.1.5 Cash Management and Investment Policy**

The municipality's cash management and investment policy looks at the daily management of cash and the handling of the excess cash that could be available. This talks to the types of accounts that the excess cash is deposited into.

#### **2.1.6 Tariff Policies**

The municipality's tariff policy provides a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy has also been reviewed in the past together with other budget related policies, but this gives the council

## 2.2 Councillor and employee benefits

Table 20 MBRR SA22 - Summary of councillor and staff benefits

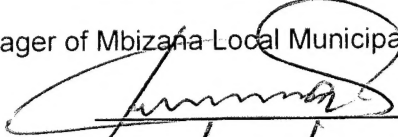
EC443 Mbizana - Supporting Table SA22 Summary councillor and staff benefits							
Summary of Employee and Councillor remuneration R thousand	Ref	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	1	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>							
Basic Salaries and Wages		6 361	9 321	9 321	9 954	10 591	11 269
Pension and UIF Contributions		1 590	367	367	392	417	444
Medical Aid Contributions		1 590	874	874	933	993	1 056
Motor Vehicle Allowance		3 534	3 613	3 613	3 859	4 106	4 369
Cellphone Allowance		726	825	825	882	938	998
Housing Allowances							
Other benefits and allowances		1 461	998	998	1 066	1 134	1 207
<b>Sub Total - Councillors</b>		<b>15 262</b>	<b>15 998</b>	<b>15 998</b>	<b>17 086</b>	<b>18 180</b>	<b>19 343</b>
<b>% increase</b>	<b>4</b>	<b>-</b>	<b>4,8%</b>	<b>-</b>	<b>6,8%</b>	<b>6,4%</b>	<b>6,4%</b>
<b>Senior Managers of the Municipality</b>							
Basic Salaries and Wages		5 647	5 647	5 647	6 031	6 417	6 828
Pension and UIF Contributions							
Medical Aid Contributions							
Overtime							
Performance Bonus							
Motor Vehicle Allowance	3						
Cellphone Allowance	3	54	54	54	58	61	65
Housing Allowances	3						
Other benefits and allowances	3	5 146	5 146	5 146	5 496	5 847	6 222
Payments in lieu of leave							
Long service awards							
Post-retirement benefit obligations	6						
<b>Sub Total - Senior Managers of Municipality</b>		<b>10 847</b>	<b>10 847</b>	<b>10 847</b>	<b>11 585</b>	<b>12 326</b>	<b>13 115</b>
<b>% increase</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,8%</b>	<b>6,4%</b>	<b>6,4%</b>
<b>Other Municipal Staff</b>							
Basic Salaries and Wages		43 699	25 605	25 605	27 346	29 096	30 959
Pension and UIF Contributions		5 416	1 875	1 875	3 388	3 605	3 836
Medical Aid Contributions		2 109	1 346	1 346	1 437	1 529	1 627
Overtime		360	600	600	641	682	725
Performance Bonus							
Motor Vehicle Allowance	3	1 518	2 479	2 479	2 648	2 817	2 997
Cellphone Allowance	3	1 123	310	310	331	351	374
Housing Allowances	3	708	1 519	1 519	1 622	1 726	1 837
Other benefits and allowances	3	1 954	9 740	9 740	9 047	9 626	10 242
Payments in lieu of leave							
Long service awards							
Post-retirement benefit obligations	6						
<b>Sub Total - Other Municipal Staff</b>		<b>56 889</b>	<b>43 474</b>	<b>43 474</b>	<b>46 461</b>	<b>49 433</b>	<b>52 597</b>
<b>% increase</b>	<b>4</b>	<b>-</b>	<b>(23,6%)</b>	<b>-</b>	<b>6,9%</b>	<b>6,4%</b>	<b>6,4%</b>
<b>Total Parent Municipality</b>		<b>82 998</b>	<b>70 319</b>	<b>70 319</b>	<b>75 131</b>	<b>79 939</b>	<b>85 055</b>
		<b>-</b>	<b>(15,3%)</b>	<b>-</b>	<b>6,8%</b>	<b>6,4%</b>	<b>6,4%</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>82 998</b>	<b>70 319</b>	<b>70 319</b>	<b>75 131</b>	<b>79 939</b>	<b>85 055</b>
<b>% increase</b>	<b>4</b>	<b>-</b>	<b>(15,3%)</b>	<b>-</b>	<b>6,8%</b>	<b>6,4%</b>	<b>6,4%</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>5,7</b>	<b>67 736</b>	<b>54 321</b>	<b>54 321</b>	<b>58 045</b>	<b>61 759</b>	<b>65 712</b>

### 2.3 Municipal manager's quality certificate

I, L. MAHLAKA, municipal manager of Mbizana Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Luvuyo MAHLAKA

Municipal manager of Mbizana Local Municipality (EC443)

Signature 

Date 31/03/2014